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## Democrats Aim to Slow Tax Cuts As Republicans Build Wish Lists

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WASHINGTON -- President Bush faces a two-front war in a Congress where Democrats think his \$1.6 trillion tax-cut package is too reckless and could bring back deficits, and conservatives want to fatten it even more.

Middle ground is mighty elusive, and for now belongs to a band of centrists who are rallying behind various schemes that would allow for a sizable tax cut but provide an escape hatch in case times turn bad. One popular version is a trigger mechanism that would stop tax cuts from rolling out if surpluses fail to materialize. A second, simpler alternative would be to give taxpayers a smaller permanent tax cut, but add a rebate or dividend if surpluses allow.

Democratic Party leaders who are courting the centrists will try to slow the Bush plan by offering a cheaper package of cuts that target working families. They hope to unveil their counteroffer before the president's first address to Congress, expected by the end of this month. Meanwhile, House Republicans, using Mr. Bush's plan as a starting point, will begin sifting through tax-cut wish lists in hearings next week.

The Democrats' tax package is likely to address the creeping threat of the alternative minimum tax, and the growing payroll-tax burden. That is a major priority for Rep. Charles Rangel of New York, ranking Democrat on the House Ways and Means Committee, where tax bills typically originate. The Democrats' bill is expected to offer relief to all taxpayers through a rebate or an across-the-board cut of the lowest tax rate, which everyone pays.

The rebate idea is popular because it is straightforward, as well as temporary. It would be awarded yearly, provided that the surplus continues to materialize. The 55-member Progressive Caucus -- 54 liberal House members plus Sen. Paul Wellstone of Minnesota -- is pushing a proposal that would cost \$900 billion over 10 years, a little more than half the Bush figure. That would translate into a check for about \$320 per year for every man, woman and child.

"Like Mr. Bush likes to say, our plan touches all American families -- but in a far more equitable and responsible way," says caucus member Rep. Bernie Sanders, a Vermont independent.

Democrats also favor a refundable income-tax credit or an expansion of the earned-income tax credit, to give some relief from payroll taxes, which disproportionately hit lower-income and middle-income workers. And in crafting their plan they will challenge Mr. Bush to better protect middle-class families from the alternative minimum tax.

Mr. Bush concedes the alternative minimum tax is a big problem, but one that is too costly to fix entirely at this stage, said Rep. Richard Neal (D., Mass.), who raised the issue with the president at a White House meeting. Mr. Neal has a bill to repeal the tax, at a cost he estimates at about \$100 billion -- though it would approximately double with the Bush tax cuts figured in. Sens. Blanche Lincoln (D., Ark.) and Richard Lugar (R., Ind.) Tuesday night filed a bill that would take some steps to fix the problem at a cost of about \$85 billion over 10 years.

The way most Democrats see it, the Bush tax cuts are a campaign gimmick that have become dangerous now that real money is at stake. Senate Minority Leader Tom Daschle says he feels obliged to take a strong stand against the Bush package -- he still rues having voted for Ronald Reagan's tax cuts in 1981.

"I feel responsible for what happened in '81," said Mr. Daschle of the bidding war that broke out then in Congress that expanded the Reagan tax cuts and contributed to later deficits. "If I can rectify the mistakes ... by calling attention to the same pitfalls that exist now that existed back then ... we ought to do that."

Among Republicans, a debate is heating up over whether \$1.6 trillion is a final figure or a starting point. Some GOP leaders are playing to conservatives and business interests who would add still more to the plan, while a more cautious set of committee chairmen try to adhere to Mr. Bush's script.

GOP allies in the business community are openly calling for more tax breaks. "We think there will be an ample opportunity for us to discuss business tax cuts that we are absolutely committed to," says U.S. Chamber of Commerce President Thomas J. Donohue.

Sen. Charles Grassley, chairman of the Senate Finance Committee, which has jurisdiction over tax bills, says that business tax breaks "by themselves ... have a very good economic rationale." But he adds that not only does he oppose doing them now, so does the president and Rep. Bill Thomas, chairman of the House Ways and Means panel.

Businesses aren't entirely left out of the Bush proposal. Small retail and wholesale operations have a major stake in the rate reductions and estate-tax repeal provisions of the president's plan. John Motley, a veteran small-business lobbyist who now represents the Food Marketing Institute, says: "When you cut individual rates, you are directly stimulating small business."

The very design of the \$1.6 trillion tax-cut plan, which would phase in over many years, invites adjustments in the timetable. The GOP could pick up votes by accelerating the president's plan for lowering the 15% rate to 10%, which Mr. Grassley says is "more doable" than tampering with cuts in the top rates.

But Mr. Grassley says he plans to hold the line at \$1.6 trillion despite prodding from Senate Majority Leader Trent Lott and House Majority Leader Richard Armey to do more. The Iowa Republican said Treasury Secretary Paul O'Neill "pleaded" with him last weekend to see that the number doesn't go higher.

The check on conservatives will be an untested coalition of centrists, both Republicans and Democrats, who hold the balance of power in the 50-50 Senate. Their solution is a trigger mechanism, which would make future tax cuts contingent on surpluses and debt reduction. Indiana Democratic Sen. Evan Bayh, a leading proponent, says he is "not prepared to commit" to a \$1.6 trillion tax cut, but that "a trigger would certainly make me more comfortable voting for a higher number than would otherwise be the case."

Sen. Bayh says the centrists are taking their cue from Federal Reserve Chairman Alan Greenspan, but they face opposition on the left and right. Whatever the prospects, the trigger debate suggests that some Senate Republicans aren't ready to endorse a package as large as Mr. Bush has proposed. A trigger "mitigates the effect" in hard times, says Sen. Olympia Snowe, a Maine Republican and crucial swing vote on the finance committee.

Another wavering Republican is Sen. Lincoln Chafee of Rhode Island, who says his priorities are paying down the debt and investing in a drug benefit for Medicare and education. Even with a trigger, "I'm not sure how fast I want to go on this," he says.

# The New York Times

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## Bush Reunites Working Families Backing His Tax Cut to Blunt Criticism

WASHINGTON, Feb. 7 — President Bush today trotted out some of the working families that he used in the presidential campaign to put a human face on his tax-cut plan and counter Democratic suggestions that his proposal was overly skewed toward the rich.

But even as Mr. Bush sought to focus on how the middle class would benefit from his plan, a group of business executives visited the White House to urge the president to increase the benefits that corporations would receive. The president also met with 21 members of the Ways and Means Committee, the key tax-writing panel in the House, to try to forge consensus on the centerpiece of his domestic agenda. In that session, he faced supporters and skeptics alike and, in the words of Representative Jennifer Dunn, Republican of Washington, "showed the strength of his backbone."

Mr. Bush, who is to send the plan to Congress on Thursday, acknowledged that he was being pushed by various interests to either scale back or ratchet up his campaign pledge to cut taxes by \$1.6 trillion over 10 years. But the president said he would fight to keep the tax cut from wavering in either direction.

"I think for those who want to diminish the size of the tax cut, that would be inadvisable, and for those who want to increase the size of the tax cut, that would be inadvisable," Mr. Bush told reporters. "It's the right size."

The president gathered in the South Portico of the White House this morning with 21 of the "tax families" that his campaign aides rounded up to stand on stage at rallies as examples of the everyday people who would benefit from Mr. Bush's tax policies.

It was a multiracial crowd that included a waitress, a car repairman, two secretaries, a physical therapist and plenty of children. "It's totally exhilarating to be here," said Lisa Law, a homemaker, who was flown from Little Rock to Washington for the event with her husband and three children. It was Mrs. Law's first plane flight, and the Republican National Committee paid for it.

Mr. Bush called Mrs. Law and the others "real, live Americans who will benefit" from his proposals.

"I have one message for all the folks that were our 'tax families' and all the folks from around the country," the president said. "You helped me make my case, and now I intend to make good on my promise. I want it to be said that ours is a plan that fulfills a campaign promise."

After the families posed for photographs with the president, the business leaders arrived for lunch. The group of 22 executives included Jerry Jasinowski, president of the National Association of Manufacturers; Donald Fisher, chairman of Gap Inc.; and Stephen W. Sanger, chairman of General Mills.

Despite Mr. Bush's clear message that he did not want to see his proposal weighted down with other provisions, business groups said they intended to press their case for corporate tax cuts at the White House and on Capitol Hill. Some of the executives at the White House today were members of the American Council for Capital Formation, a coalition of trade associations and companies hoping to present a united front to the administration in pressing the case for a broader tax cut.

The coalition said it would press the administration to adopt one of two major changes: a reduction in the corporate income tax rate to 25 percent from 35 percent over three years, or an acceleration in the rate at which businesses could write off their investments in new equipment.

The group said it would also seek a change in the tax code so that multinational corporations based in the United States would only pay taxes in the United States on income generated in the country, while continuing to pay taxes abroad on profits earned overseas.

In addition, the coalition said it would support a package of retirement savings incentives, including expansions of the popular individual retirement account and 401(k) programs.

Charls E. Walker, a longtime tax lobbyist who is chairman of the coalition, said he could not put a dollar figure on the provisions the group was seeking, but he said that the changes were affordable.

Mr. Walker and other members of the coalition met today with Donald L. Evans, the commerce secretary, and Lawrence B. Lindsey, the White House economic adviser, before their lunch with Mr. Bush.

Other business groups are also pressing Mr. Bush for corporate tax cuts. The Business Roundtable, a group of the largest corporations, said it would push for \$1 of reduction in the corporate income tax rate for every \$5 dedicated to tax cuts for individuals. That would amount to \$320 billion on top of Mr. Bush's \$1.6 trillion plan.

On Capitol Hill, House and Senate Democrats began a coordinated campaign to brand Mr. Bush's plan as far costlier than he was letting on and particularly favorable to the wealthiest Americans. Yet Democrats have not united around a particular alternative to Mr. Bush's plan.

The 54-member Congressional Progressive Caucus will introduce its proposed \$900 billion tax-cut plan on Thursday. It would give a refundable tax credit of about \$320 to every American, no matter what their income, and would make the benefit dependent on a budget surplus.

"A family of four earning \$20,000 a year will receive about \$1,300 in tax breaks, and Mr. and Mrs. Bill Gates and their children will receive the same," said Representative Bernard Sanders, a Vermont independent.